

Everbright Belt and Road Green Fund: ESG investment requires building consensus of all stakeholders

7 December 2021, Everbright Belt and Road Green Fund was invited to participate in the 9th China Social Investment Forum by SynTao Green Finance and Sina Finance. In the sub-forum of "ESG product innovation for carbon neutrality", Wang Xitong, head of the fund's ESG affairs, shared their thinking and execution on ESG investment.



Everbright Green Fund found that ESG products in the secondary market have shown a diversification trend with multiple choices of stock indexes, public fund products, as well as third-party evaluation and rating tools. However, for PE/VC focusing on the primary market, ESG practice is still scarce overall, and the experience of the secondary market is difficult to copy. So the fund has continuously improved its own ESG system, integrating the ESG concept into the whole process of preliminary screening of projects, due diligence, investment decision making, agreement formulation, post-investment management, and project exit, and establishing a detailed tool kit

to ensure that it can be executed effectively. There are two important principles:

1. The PE/VC's ESG investment needs to build consensus with the relevant parties to cooperate with the invested companies. Everbright Green Fund will help companies understand the value of ESG from an enterprise perspective. Secondly, because Everbright Green Fund's investing is inherently green, highlighting their investment enterprises, they will help enterprises to deeply explore these highlights, do a good job of ESG information disclosure and dissemination, making the market recognizes the valuation premium ESG can brought.

2. ESG investment needs to be based on a profound understanding of the relevant industries. Everbright Green Fund believes that the ESG indicator system should be both professional and feasible. It is relatively difficult to obtain information from unlisted companies, and the indicator system needs to be refined. Therefore, Everbright Green Fund has established a set of flexible indicator system. On the basis of general indicators, they tend to decide the E and S indicators according to industries, and set the G indicators according to stages of development and business nature of the enterprises.

In addition to the above principles, Everbright Green Fund is constantly thinking about how to amplify the capital amount of ESG and its impact, make contribution to the realization of the dual carbon goal and the development of ESG. There are two strategies:

1. To play the expansion role of "FOF + local direct investment fund". Everbright Green Fund focus on Chinese domestic provinces and cities along the belt and road , and cooperate with local governments, state-owned enterprises and social capital to set up local direct investment fund, to jointly promote the green and low-carbon transformation of the local economy, and our first local direct investment fund is about to be launched in Shanxi(Xian) with a scale of RMB 1.85 billion.

2. To give full play to the collaborative advantage of China Everbright Group. With the help of China Everbright Group's advantage in its comprehensive financial services licenses, the fund has enhanced the influence of ESG. Everbright Green Fund's experience in practicing ESG can achieve leverage



amplification and deepen its impact by means of investment-credit linkage and issuing of green bonds. At the same time, the fund optimized ESG practice with the help of its industrial support advantages, which is unique advantages in carrying out ESG investment.

On which investment directions are more worth paying attention under the carbon neutrality goal, Everbright Green Fund indicated that different investment institutions have their own characteristics in terms of investment logic and participation methods for carbon neutrality and green investment.

Everbright Belt and Road Green Fund

Established and managed by China Everbright Limited, Everbright Green Fund is the official outcome of China Everbright Group on the 2nd "Belt and Road" International Cooperation Summit in 2019. Adopting the model of "FOF + Direct investment of fund", the fund focusses on four selected segments for investment, namely green energy, green environment, green manufacturing and green living, as well as sets up a direct investment fund with Chinese domestic provincial and city governments along the "Belt and Road".